

# Using TANF Funds to Provide Cash to Families

## *Considerations and Resources*

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Though the \$16.5 billion Temporary Assistance for Needy Families (TANF) annual block grant is best known for funding state TANF cash assistance programs for families with very low incomes, less than one-quarter of TANF funds are used for basic cash assistance. Certain federal TANF requirements limit the grant funds' use for cash assistance: families receiving ongoing TANF cash assistance are subject to work requirements, time limits, and other restrictions. However, the flexibility of the TANF block grant allows states to use TANF funds to provide cash to families through additional mechanisms, at least for brief periods, with fewer requirements. Research shows that cash payments can help parents better support their children in several ways. This includes direct emotional and material support, as well as indirect support, allowing parents to build skills and improve their employment prospects (Fung et al. 2024; Kappil et al. 2023). Evidence of positive outcomes from giving cash to families has heightened interest in understanding whether and how states could use TANF funds more effectively to support family well-being through direct cash transfers. This summary provides an overview of key facts and considerations related to using TANF funds to support certain types of cash transfers to families with low incomes.

### HOW CAN STATES USE TANF FUNDS?

States have the flexibility and responsibility to spend TANF funds for anything that is “reasonably calculated” to serve the four purposes defined in law (see sidebar and additional resources). On average, in FY 2022, state spending for monthly cash assistance to families with very low incomes accounted for less than one-quarter of their TANF block grant and maintenance-of-effort (MOE) spending (see sidebar), a share that has declined from 70 percent in FY 1997.<sup>1</sup> Though each state defines eligibility, benefit amounts, and other core program rules for its own TANF program, states must also abide by federal restrictions, which are strictest for basic cash assistance programs. Today, states spend the majority of their TANF funds on other allowable activities and services that trigger fewer restrictions.

Below we compare the uses and restrictions for TANF-funded monthly cash assistance and other allowable spending.

**TANF-funded monthly cash assistance** (ongoing cash or supportive services like transportation and child care provided to families who are not employed) is limited by several key federal rules:<sup>2</sup>

### THE FOUR USES OF TANF

As a condition of receiving federal block grant funds, states must spend at least a minimum amount of state “maintenance-of-effort” (MOE) funds. Federal TANF and state MOE spending must promote at least one of the four purposes of TANF, as defined in law:<sup>3</sup>

1. Provide assistance to needy families so that children can be cared for in their own homes or in relatives' homes.
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.
3. Prevent and reduce the incidence of out-of-wedlock pregnancies.
4. Encourage the formation and maintenance of two-parent families.

<sup>3</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Pub L. No. 104-193 (1996).

- restricting eligibility to families with children younger than age 18
- restricting eligibility for certain categories of immigration status
- restricting receipt of assistance to a five-year federal lifetime limit (though states can impose even shorter lifetime limits or use state funds to provide assistance past the federal lifetime limit)
- requiring recipients to cooperate with child support enforcement and assign to the state their right to child support payments
- requiring states to meet certain work requirements across their caseload

Beyond these federal rules, states have significant flexibility in how they administer monthly cash assistance, especially around income eligibility, monthly benefit amounts, time limits, and work requirements that may apply to some or all recipients. Some states have implemented even more restrictions on TANF monthly cash assistance, including family cap policies that deny additional benefits to families who have more children after initial TANF eligibility determination, bans against people convicted of drug-felony crimes, and requirements for school attendance and immunizations, among others (see additional resources).

**Other allowable spending of TANF block grant funds** tends to have fewer restrictions. These include, for example, nonrecurrent, short-term benefits (NRSTs—see details in section below); work subsidies; child care, transportation, and other supports to families who are employed; employment-related services including counseling, child care information, and job retention and advancement services; refundable state earned income tax credits; individual development accounts; prekindergarten and Head Start services; child welfare; and other services. In addition, some states do not spend their full block grant each year, instead building up TANF reserves (see additional resources). However, the classification of these uses as allowable isn't an endorsement that they are the best way for states to spend their TANF funds.

### WHAT ARE NONRECURRENT SHORT-TERM BENEFITS IN TANF?

NRST benefits are intended to provide funding to address a family's one-time need. NRSTs can be used to provide cash to families without triggering the requirements associated with "assistance" (see additional resources). Federal rules stipulate that NRST benefits must address a specific crisis situation or episode of need—not ongoing needs—and cannot extend beyond four months.<sup>3</sup> Beyond that, states have significant flexibility to set eligibility for NRSTs, including setting the income threshold (which can be much higher than that of TANF monthly cash assistance). NRSTs do not count as "assistance" and thus do not trigger the time limits, work requirements, and child support cooperation generally associated with receiving TANF assistance. Finally, there is no set federal limit on how much TANF funding can go to NRSTs, no limit on how much families can receive, and no limit on how many episodes of

### WHY PROVIDE CASH TO FAMILIES?

Research shows the strong impact household income has on children's development, health, and future academic success, as well as strong outcomes for adults' health, parenting, food security, and housing stability:

- Strong outcomes for children include increased brain activity and development in infants (Troller-Renfree et al. 2022); improved health;<sup>a</sup> reduced child abuse and neglect (Shrivastava and Patel 2023); and increased future academic success (Barr, Eggleston, and Smith 2022).
- Strong outcomes for adults include improved mental and physical health (DeYoung et al. 2023), as well as the opening of new opportunities for goal-setting (West and Castro 2023) and increased investments in education and job prospects (Fung et al. 2024).
- In addition, cash assistance can be an efficient way to increase food security (Bogle, Noble, and Fung 2024); increase housing stability (Brisson et al. 2023; Zane, Reyes, and Pavetti 2022); and improve financial security (including declines in credit card debt and increased savings) (Hamilton et al. 2022).<sup>b</sup>

<sup>a</sup> Clare Anderson, Yasmin Grewal-Kök, Gretchen Cusick, Dana Weiner and Krista Thomas, "Family and Child Well-Being System: Economic and Concrete Supports as a Core Component," PowerPoint slides, Chapin Hall, 2021, <https://www.chapinhall.org/project/a-key-connection-economic-stability-and-family-well-being>.

<sup>b</sup> Mary Bogle, "Banning Guaranteed Income Undermines American Values," *Urban Wire* (blog), Urban Institute, April 24, 2024, <https://www.urban.org/urban-wire/banning-guaranteed-income-programs-undermines-american-values>.

need families can experience in one year. Beyond federal rules, state laws and regulations may affect what is feasible in any given state.

NRSTs can cover a wide variety of needs. Depending on their specific design, NRSTs can be unconditional—meaning recipients are not required to do anything specific, beyond meeting the financial need eligibility criteria, to receive the money—and/or can be unrestricted, meaning recipients may choose how they spend the money. Here is a nonexhaustive list of examples:

- burial assistance
- cash allowances
- child care
- child support
- clothing allowances
- diversion
- domestic violence services
- emergency housing
- housing and community services
- job support and readiness
- kinship care
- transportation support
- vehicle support

## ADDITIONAL RESOURCES

### How states spend their TANF funds:

- [“State Fact Sheets: How States Spend Funds Under the TANF Block Grant”](#) from the Center for Budget and Policy Priorities
- [“The Temporary Assistance for Needy Families \(TANF\) Block Grant: Responses to Frequently Asked Questions”](#) by Gene Falk at the Congressional Research Service

### MOE funds:

- [“Guide to the Use of TANF and MOE Funds”](#) by Elizabeth Lower-Basch at the Center for Law and Social Policy
- [“TANF and MOE Spending and Transfers by Activity, FY 2022”](#) from the Department of Health and Human Services (HHS), Administration for Children and Families (ACF)

### TANF rules and restrictions by state:

- [“Welfare Rules Database”](#) from the Urban Institute
- State TANF plans: Each state must submit a plan to ACF that explains its TANF program, which can be a good source for state definitions and policies. While plans must be made public, there is no central repository to view them. Each state TANF agency may choose to share their plan in a different way.

### TANF reserves:

- [“FY 2022 Federal TANF and State MOE Financial Data: Table A.6”](#) from HHS, ACF. There is no federal limit on how much money states accumulate in their TANF reserves or when states must spend these funds. TANF reserve funds can be spent the same way as other TANF funds.

### Implementation of NRSTs:

- [“Examples: Non-Recurrent Short-Term Benefits”](#) from HHS, ACF.
- [“Playbook for Replicating Rx Kids: Utilizing TANF and Protecting Public Benefits,”](#) by Mona Hanna and H. Luke Shaefer.

## NOTES

- <sup>1</sup> “TANF and MOE Spending and Transfers by Activity, FY 2022,” Office of Family Assistance, accessed July 19, 2024, <https://www.acf.hhs.gov/ofa/data/tanf-and-moe-spending-and-transfers-activity-fy-2022>.
- <sup>2</sup> General Temporary Assistance for Needy Families (TANF) Provisions, 45 C.F.R. Part 260 (1999).
- <sup>3</sup> General Temporary Assistance for Needy Families (TANF) Provisions, 45 C.F.R. Part 260 (1999).

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